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Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-02 AID-05 SS-15 STR-04 ITC-01
TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 AF-10 EA-09
EUR-12 NEA-10 FEA-01 IO-13 /148 W
----------182124Z 128039 /63
R 152116Z APR 77
FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC 4016
INFO USDOC WASHDC

UNCLAS SECTION 1 OF 2 SAN SALVADOR 1739

E.O. 11652: N/A
TAGS: ETRD, ES
SUBJECT: GSP: FIRST YEAR REVIEW

REF: STATE 067507

1. SUMMARY - ACCORDING TO THE DIRECTOR GENERAL OF THE SALVADORAN INSTITUTE OF FOREIGN TRADE THE USGSP DEFINITELY BENEFITED SALVADORAN EXPORTS TO THE U.S. IN 1976 AND WHILE BENEFITS WERE LESS THAN HOPED FOR, THEY WERE STILL QUITE SIGNIFICANT. UNFORTUNATELY, NON-TAR HF BARRIERS NEUTRALIZED MUCH OF THE POTENTIAL INCENTIVE PROVIDED THROUGH USGSP ESPECIALLY IN THE CASE OF SALVADOR'S AGRICULTURAL EXPORTS. SALVADOR'S USGSP EXPORTS INCREASED IN VALUE BY 35PERCENT FROM 1975 TO 1976 COMPARED TO A 62 PERCENT INCREASE IN TOTAL SALVADORAN EXPORTS TO THE U.S. (LED OF COURSE BY COFFEE) BUT A 13 PERCENT DECREASE FOR TOTAL EXPORTS TO THE U.S., LESS CRUDE COFFEE. WHILE SIX NEW INVESTMENT PROJECTS STIMULATED BY THE USGSP ARE UNDER STUDY, NONE HAVE FULLY MATERIALIZED. ALMOST ONE THIRD OF THE SALVADORAN USGSP EXPORT PRODUCTS ENTERING THE U.S. FROM JANUARY-OCTOBER 1976 WERE NEW; HOWEVER, IN VALUE THEY REPRESENTED ONLY 3 PERCENT OF TOTAL USGSP IMPORTS FROM EL SALVADOR. IN
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WORLDWIDE TERMS ALMOST 80 PERCENT (BY VALUE) OF ALL SALVADORAN PRODUCTS EXPOVTED UNDER GSP WENT UNDER THE USGSP, WPW THE EEC'S GSP A DISTANT SECOND WITH 18 PERCENT.

2. ACCORDING TO THE DIRECTOR GENERAL OF EL SALVADOR'S FOREIGN TRADE INSTITUTE (INSTITUTO SALVADORENO DE COMERCIO EXTERIOR - ISCE) THE USGSP DEFINITELY BENEFITED

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SALVADORAN EXPORTS IN 1976, BUT NOT TO THE EXTENT HE
HAD EXPECTED. MOREOVER, IN HIS OPINION, THE SINGLE
GREATEST PROBLEM WITH THE USGSP IS THAT IT DOESN'T
TOUCH NON-TARIFF BARRIERS, WHICH IN THE CASE OF SALVADOR'S
AGRICULTURAL EXPORTS ARE MORE CRITICAL THAN TARIFFS.

3. UNFORTUNATELY, DATA POUCHED BY THE DEPARTMENT SHOWING
SALVADORAN EXPORTS TO THE U.S. FOR 1976 HAS NOT ARRIVED.
CONSEQUENTLY, THIS REPORT IS BASED PRIMARILY ON WHATEVER
PROVISIONAL QUANTITATIVE DATE THE GOES COULD SUPPLY THROUGH
ISCE.

4. ACCORDING TO OFFICIAL GOES DATA, TOTAL SALVADORAN
EXPORTS TO TTO U.S. INCREASED FROM US$146 MILLION IN
1975 TO US$236 MILLION IN 1976 OR BY A WHOPPING 62 PERCENT.
HOWEVER, DISCOUNTING SALVADORAN CRUDE COFFEE EXPORTS TO
THE U.S. (US$64 MILLION IN 1975 AND US$165 MILLION
IN 1976) SHOWS THAT NON-CRUDE COFFEE EXPORTS TO THE
U.S. ACTUALLY DECLINED FROM US$81 MILLION IN 1975 TO
USD71 MILLION IN 1976 I.E. BY 13 PERCENT WHILE GOES ESTIMATED ARE
NOTHPVAILABLE ON THE VALUE OF SALVADORAN EXPORTS TO
THE U.S. IN 1975 THAT WOULD HAVE ENTERED DUTY FREE
HAD THE USGSP BEEN IN EFFECT, THE VALUE OF
ACTUAL USGSP EXPORTS IN 1976 IS OFFICIALLY REPORTED
AS US$17.6 MILLION. COMPARING THIS US$17.6 MILLION
VALUE OF SALVADORAN EXPORTS ENTERING THE U.S. DUTY
FREE UNDER THE USGSP IN 1976 WITH THE US$13.0 MILLION
VALUE OF THOSE EXPORTS THAT WOULD HAVE ENTERED DUTY
FREE HAD THE USGSP BEEN OPERATIVE IN 1975 (AS REPORTED
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IN A MEMO FROM ARA/ECP TO ALL ARA DES OFFICERS
DATED JUNE 2, 1976) INDICATES A SIZEABLE INCREASE OF
35 PERCENT.

5. IN COMPARISON TO THE 62 PERCENT ANNUAL INCREASE OF TOTAL
SALVADORAN EXPORTS TO THE U.S. FROM 1975 TO 1976, THE
35 PERCENT INCREASE OF USGSP EXPORTS APPEARS MODEST. HOWEVER,
WHEN COMPARED TO THE 13 PERCENT DECREASE IN NON-CRUDE COFFEE
EXPORTS FROM 1975 TO 1976, THE 35 PERCENT INCREASE OF USGSP
EXPORTS FROM EL SALVADOR IS QUITE NOTABLE.

6. WHILE AT LEAST SIX INVESTMENT PROJECTS, DEVISED TO
TAKE ADVANTAGE OF EXPORT OPPORTUNITIES PROVIDED THROUGH
APPLICATION OF THE USGSP, ARE UNDER ACTIVE CONSIDERATION,
NONE HAVE YET FULLY MATERIALIZED.

7. USING U.S. BUREAU OF THE CENSUS DATE 19 OF THE
62 PRODUCTS (DEFINED AT THE TSUS FIVE DIGIT LEVEL)
SHOWN AS USGSP IMPORTS INTO THE U.S. FROM JANUARY-

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OCTOBER 197(WERE NOT IMPORTED IN 1973, 74 OR 75.
THUS APPROXIMATELY 30 PERCENT OF THOSE SALVADORAN EXPORT
PRODUCTS ENTERING THE U.S. UNDER THE USGSP DURING THE FIRST
10 MONTHS OF 1976 WERE NEW. WHETHER PART OR ALL
OF THE 19 WERE A DIRECT RESULT OF IMPLEMENTING THE
USGSP IS UNKNOWN. TOTAL VALUE OF THE 19 NEW
EXPORTS IN 1976 WAS US$449,690 OR ONLY 3PERCENT OF THE
TOTAL VALUE OF USGSP IMPORTS FROM EL SALVADOR.

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TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 AF-10 EA-09
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8. THE DIRECTOR GENERAL OF ISCE WAS AWARE THAT SOME
SALVADORAN EXPORTS ELIGIBLE FOR USGSP WERE NOT
ENTERING DUTY FREE BUT IN MOST INSTANCES HE THOUGHT
THE MAJOR PROBLEM LAY IN POOR DOCUMENTATION OR POOR
COMMUNICATIONS AS IN THE CASE WHEN COPIES OF FORM-A
WERE TEMPORARILY REJECTED BY U.S. CUSTOMS BECAUSE
THEY WERE INADVERTEDLY COPIES ON THE WRONG TYPE OF
PAPER.

9. THE US$17.6 MILLIONIIN SALVADORAN EXPORTS
ENTERING THE U.S. DUTY FREE UNDER THE GSP LAST YEAR
AMOUNTED TO LESS THAN 3 PERCENT OF THE US$719 MILLION OF TOTAL
SALVADORAN EXPORTS IN 1976. HOWEVER, THE SAME US$17.6
MILLION AMOUNTED TO 8 PERCENT OF THE US$216 MILLION IN TOTAL
NON-TRADITIONAL EXPORTS IN 1976.

10. THERE IS NO FIRM EVIDENCE TO DATE THAT IMPLEMEN-
TATION OF THE USGSP HAS LED TO INCREASED IMPORTS OF
U.S. MACHINERY AND EQUIPMENT.

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12. IN TERMS OF WORLDWIDE GSP SALVADORAN UTILIZATION OF THE USGSP OUTRANKS ALL OTHERS BY A WIDE MARGIN AS
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SHOWN BELOW:

COUNTRIES	1976 SALVADORAN EXPORTS UNDER GSP BY COUNTRIES VALUE IN US$000	PERCENT
WEST GERMANY	1,649.0	7.4
BELGIUM	247.0	1.1
DENMARK	377.3	1.7
HOLLAND	723.1	3.2
ITALY	322.2	1.5
UK	462.0	2.1
FRANCE	60.1	0.3
IRELAND	85.7	0.4
NORWAY	---	---
TOTAL EEC	(3,929.3)	(17.7)
SWEDEN	149.3	0.7
SWITZERLAND	310.1	1.4
FINLAND	95.2	0.4
U.S.	17,572.6	78.9
PUERTO RICO	1.5	---
AUSTRALIA	30.3	0.1
JAPAN	3.3	---
AUSTRIA	---	---
HONG KONG	---	---
CANADA	170.6	0.8
TOTAL OTHER COUNTRIES	(18,332.9)	(82.3)
TOTAL	22,262.2	(100.0)

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Message Attributes

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